

BETHEL SCHOOL DISTRICT No. 403
Pierce County, Washington
September 1, 1992 Through August 31, 1993

Schedule Of Findings

1. Internal Control Over Associated Student Body (ASB) Funds At Bethel High School Student Store Needs Improvement

During the audit of Bethel School District we noted that Bethel High School Student Store had extensive internal control weaknesses and irregularities. These weaknesses ranged from not having proper internal controls for the receipting and depositing of ASB funds to the destruction of ASB accounting documents. This resulted in an estimated loss of \$7,368 in soda pop receipts and or 13,398 cans of soda pop, covering the period August 27, 1992, through June 4, 1993. The following list of conditions outlines the weaknesses noted at Bethel High School Student Store.

- a. Access to the student store storage room and vault was not limited to required personnel. Up to 50 employees and students had access (master key) to the storage room and or vault room. Also, the combination to the ASB safe was written on the wall. Due to the above weaknesses, money was missing from the ASB safe.
- b. The student store manager did not deposit all ASB money within 24 hours of receipt, as required by state law. When moneys were collected from the vending machines, only one person was responsible for counting, depositing, and reconciling sales to vendor invoices. It was brought to our attention that currency remained on the store employee's desk and in bank bags on the floor after school hours. We noted a bank bag of currency and coin (soda pop receipts) located in the safe that had not been counted or reconciled to sales.
- c. There is no inventory system in place to track retail items. Reconciliations of the soda pop sales to the inventory records were not maintained. The excess of revenues over expenditures, and the inventory balance was not maintained and reconciled to the ASB control card.
- d. All ticketed events did not use prenumbered tickets. Without prenumbered tickets and a ticket inventory log, it is difficult to determine if all cash received was in fact deposited. All sales should be reported using official district receipts, yet unofficial "rediform" receipts were in the store vault room available for use.
- e. Records of all reconciliations of ticket and soda pop sales should be retained by the school district. Bethel High School Student Store employee apparently discarded these records.

The weaknesses listed above allowed irregularities to occur which were not detected in the normal course of business. A better internal control system provides management with assurance that assets are safeguarded from loss.

The *Washington Administrative Code* (WAC) lists the following requirements for ASB.

WAC 392.138.035 states in part:

. . . All associated student body moneys, upon receipt, shall be transmitted intact to the district depository bank and then to the county treasurer . . .

WAC 392.138.045 states in part:

. . . (3) The fiscal and accounting records of associated student body program moneys shall constitute public records of the school district, shall be available for examination by the state auditor, and shall be preserved in accordance with statutory provisions governing the retention of public records.

We recommend the district adequately segregate duties so no one employee has unsupervised control over any cash receipting activity. We further recommend that the control systems be revised to include adequate internal controls for cash receipting, records retention, and physical security.